

MARYLAND OPPORTUNITY ZONES



Maryland Opportunity Zone Leadership Task Force
Kick off meeting
02/22/2019

OZ Milestones



• December 2017 H.R. 1 - Opportunity Zone Legislation passes

March 2018 Governor Hogan submits nominated OZs

• June 14th US Treasury designates Maryland's 149 Opportunity Zones

• July 30th DHCD / Commerce hold Opportunity Zone Conference

October 22nd DHCD presents OZs at MEDA Conference

• October 23rd Community Development Network – OZ/Bonifant Senior homes

January 3rd Governor Hogan OZ Leadership Committee / Legislative Agenda

• February 5th Montgomery County - OZ forum

February 14th Rural Maryland Caucus



Agenda



Background on Opportunity Zones







Opportunity Zones will help connect low-income communities with needed capital.

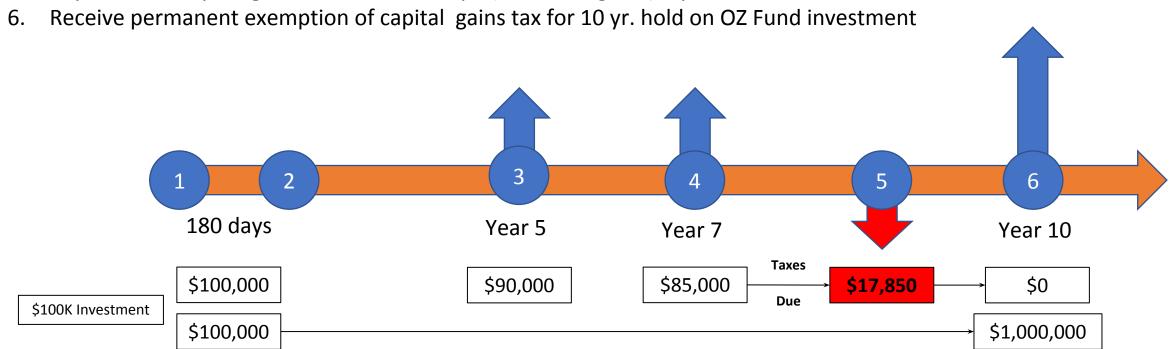
- Capital U.S. households and corporations were sitting on an estimated \$6.1 trillion in unrealized capital gains at the end of 2017.
- Connect Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to long-term holdings.

"See Leave	"Subchapter Z-Opportunity Zones
"Sec. 1400Z-1. Designation.	Z-Opportunity 7
SEC. 1400Z-2. Special rules for capital account	Zones
"Sec. 1400Z-2. Special rules for capital gains invested in SEC. 1400Z-1. DESIGNATION.	n opportunity zones.
"(a) QUALIFIED OPPORT	
census tract that is a low-in-	DEFINED P.
and the community is	that is designed the purposes of this subchant
"(b) Designation.—	DEFINED.—For the purposes of this subchapter, the term 'qualified opportunity zone' means a popular is designated as a qualified opportunity zone.
"(1) IN GENER	a popular
opportunity zone if -	Of Subsect
A morte II —	subsection (a), a population consus
"(A) por las-	of subsection (a), a population census tract that is a low-income community is designated as a qualified
not later than the end of the	determinity is designated as a continuous community is designated as a continuous c
"(I) = ·	occurrination period, the chief execution
nominates the tract for	designant.
"ViD	guation as a qualified opportunity
(11) notifies the Secretary in	Twenty zone, and
"(B) the C	writing of such nomination, and
period. (B) the Secretary certifies such a	Ominosi.
and I	and designates such
"(2) EVTPMON	writing of such nomination, and iomination and designates such tract as a qualified opportunity zone before the end of the consideration chief executive officer of a State may request that the Secretary extend either the determination or f this subsection—
consideration of PERIODS A	y zone before the end of the
period, or both (determined a	Chief executive officer of a Security of the Consideration
"(c) Orner P	thout regard to this subsection as State may request that the section
"(c) OTHER DEFINITIONS.—For purposes of "(1) LOW-INCOME.	chief executive officer of a State may request that the Secretary extend either the determination or f this subsection—
"VILLE OF POSES O	this subsection— The term 'low-income community' has the same meaning as when used in section 45D(e).
(1) LOW-INCOME COMMUNITOR	
"CO D-	The term 'low-income
(2) DEFINITION OF PERIODS	acome community' has the same many
	meaning as when used in secre-
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Secretary receives notice und	-The term 'const.'
under subsectio	n (b)(1)(A)(ii) Consideration period' means the ne
"(B) DETERMINATION	The term 'consideration period' means the 30-day period beginning on the date on which the The term 'schildren' means the 30-day period beginning on the date on which the
the Tax Cuts and John A.	The term 14.
the Tax Cuts and Jobs Act, as extended us "(3) STATE.—For re-	n (s)(1/A)(ii), as extended under subsection (b)(2). The term 'determination period' means the 90-day period beginning on the date on which the the term 'determination period' means the 90-day period beginning on the date of the enactment of the term 'State' includes any period'.
"(3) STATE _ Eng	subsection (b)(2).
or purposes of this section	. the real section of the chactmans of
"(d) NUMBER OF DES	"suc term 'State' includes any possession
DESIGNATIONS -	possession of the their
"(1) IN GENERAL	orange.
qualified opportunity - Except as provided	hu and the second secon
your under this section m	by paragraph (2), the number of
"(2) FXCEPTED.	ay not exceed 25 percent of the population census traces in a con-
qualified opportunity zones.	by paragraph (2), the number of population census tracts in a State that may be designated as income communities in a State is less than 100.
opportunity zones.	income communities in a Second Communities in the State
(e) Design	an a State is less than 100, then a see
TRACTS CONTRACTS	a total of 25 of such tracts
(e) DESIGNATION OF TRACTS CONTIGUOUS "(1) IN GENERAL.—A population consults section if	ay not exceed 25 percent of the number of population census tracts in a State that may be designated as income communities in a State is less than 100, then a total of 25 of such tracts may be designated as With Low-Income Communities.— The communities in a State is less than 100, then a total of 25 of such tracts may be designated as a communities in a State is less than 100, then a total of 25 of such tracts may be designated as a qualified opportunity zone under community that is designated as a qualified opportunity zone under community that is designated.
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Population census t	Fact that is not a low in
Was	a tow-income community may be
(A) the tract is continuous	may be designated as a qualified on-
none with the low	-income community zone under
(B) the median family income	income community may be designated as a qualified opportunity zone under income community that is designated as a qualified opportunity zone, and ct does not exceed 125 percent of the most of the content of the conte
which the tract is contiguous.	act does not exceed to
tun.	and 125 percent of the motion of
(2) LIMITATION.—Not one	income community that is designated as a qualified opportunity zone, and ct does not exceed 125 percent of the median family income of the low-income community with of the population census tracts designated in a State as a qualified opportunity zone may be
signated under paragraph (1).	of the

Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States



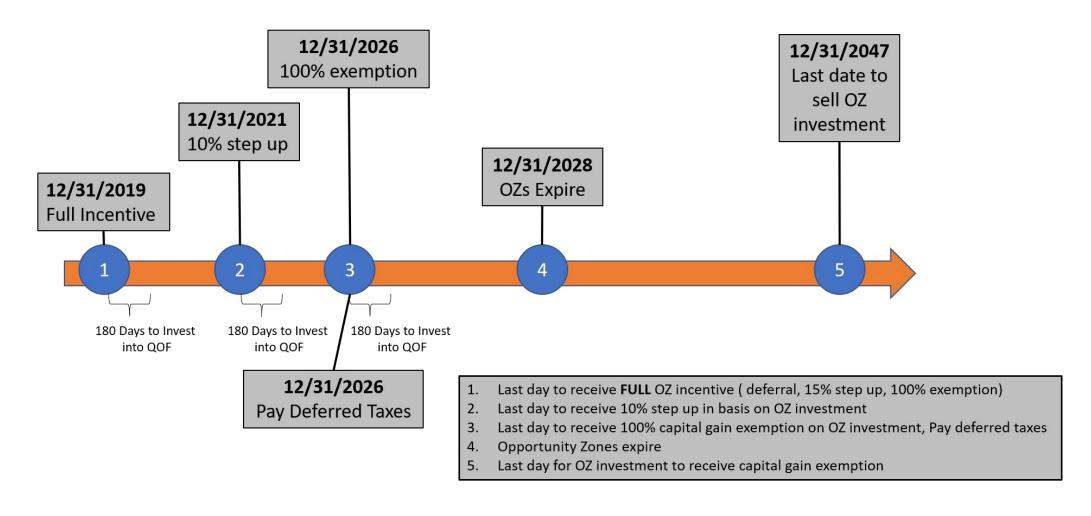
- 1. Realize gain from any capital gain triggering event
- 2. Invest in OZ Fund within 180 days
- 3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
- 4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
- 5. Pay deferred capital gain taxes due for Step 1(85% of original) by 12/31/2026







OZ Incentive Timeline







Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy90% of capital in Zones
- Capital is required to be an equity investment

Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation
- "Sin businesses" are not eligible
- Other requirements include property use in "active conduct of business" and limits on assets held in cash





Maryland Opportunity Zones









	# of Designated
	Opportunity
County	<u>Zones</u>
Allegany	4
Anne Arundel	4
Baltimore County	10
Baltimore City	42
Calvert	3
Caroline	2
Carroll	1
Cecil	3
Charles	3
Dorchester	2
Frederick	5
Garrett	3
Harford	4
Howard	1
Kent	1
Montgomery	14
Prince George's	25
Queen Anne's	1
Somerset	3
St. Mary's	1
Talbot	2
Washington	5
Wicomico	7
Worcester	3
Total	149





State and Departmental Recommendations

- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on "One Stop" permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD provide loans and grants to leverage Opportunity Zone investments
- DHCD establish information exchange to attract private sector capital

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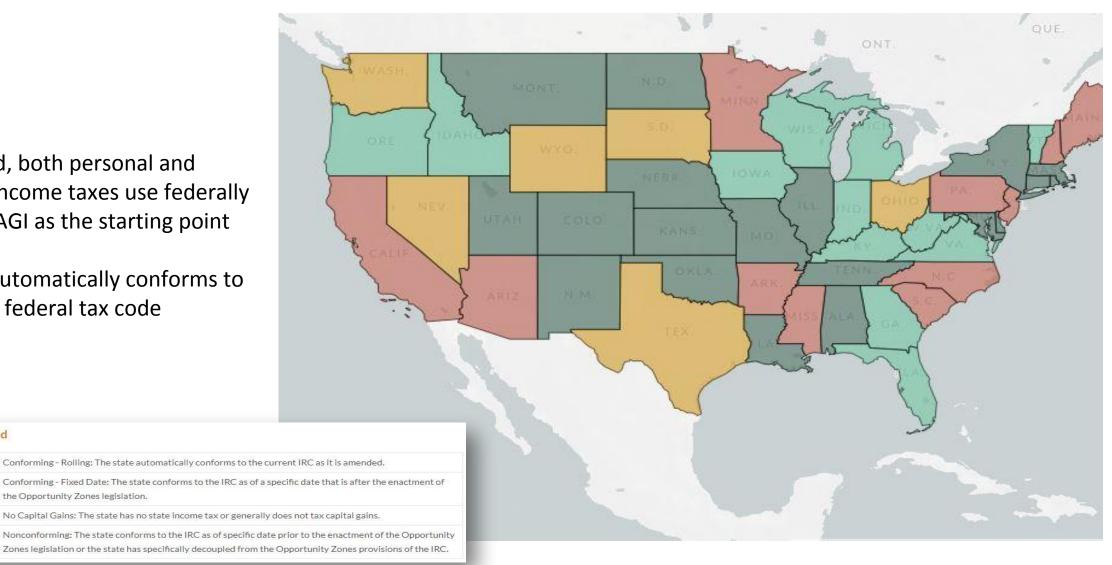




- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code

the Opportunity Zones legislation.

Legend

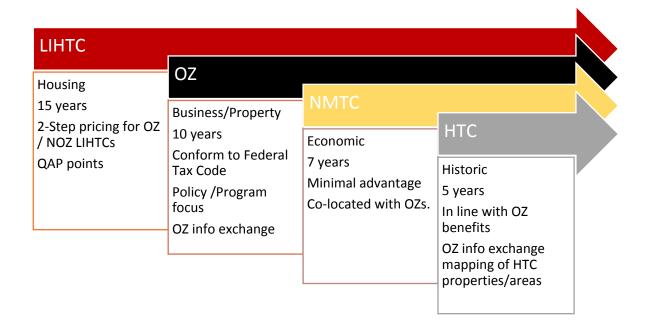


Source - Novogradac website

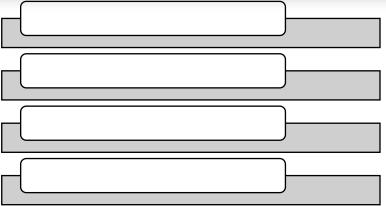




State HFAs can bring resources to the table











- COMMERCE Tax Credits for creating new jobs / expanding job in OZs
- DLLR Workforce training (EARN)
- DHCD grants & loans
 - Rental Services
 - Strategic Demolition
 - Neighborhood Business Works
- TEDCO Strategic Infrastructure Investment Fund





Opportunity Zones – Information Exchange

Information Exchange



- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area

Opportunity Zone Listings

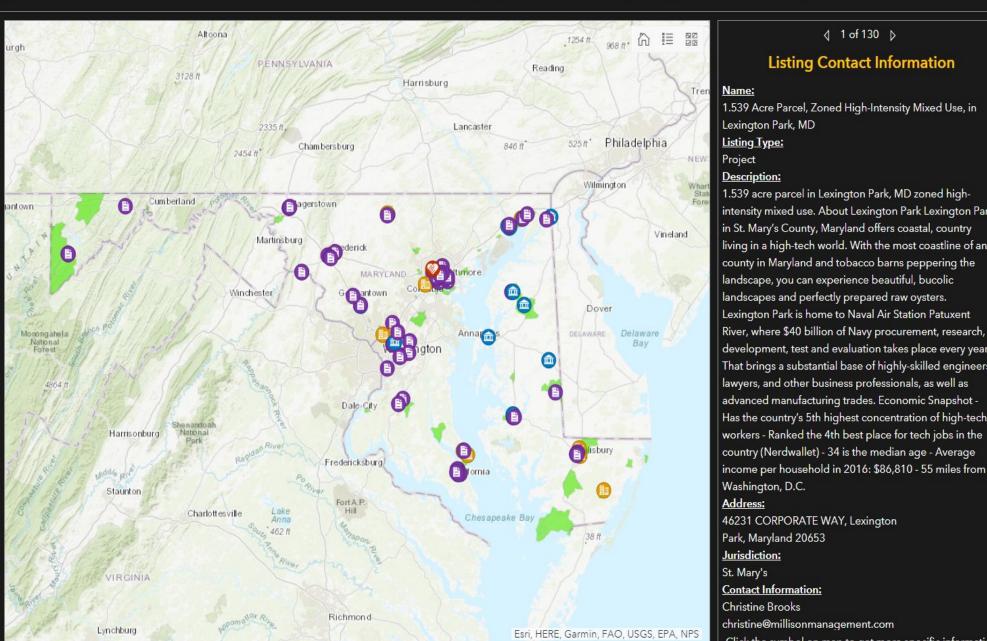
- 1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD Project - Mix
- 102 W. Potomac Street Brunswick Project - General
- 108.41 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD Project - Mix
- 1100 Wicomico **Project - Office**
- 1231 Tech Court **Project - Office**
- 17.798 Acre Parcel Zoned Limited Commercia Industrial in Lexington Park, MD Project - Retail
 - 1787 Capital Fund - Mix
- 1812 Greenmount Project - Mix

Project - Mix

Project - Mix

- 2.21 Acre Parcel, Zoned High-Intensity Mixed Use in Lexington Park, MD
- Project Mix
- 2.34 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD
- 2.59 Acre Parcel Zoned High Intensity Mixed Use in Lexington Park, MD
- 200-204 East Diamond Avenue Project - Mix
- 22.286 Acre Parcel Zoned High-intensity Mixed Use in Lexington Park, MD

Seclect a product from list to get more information



[1] AGREE AND UNDERSTAND

↑ 1 of 130
 ▶

Listing Contact Information

Name:

1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD

Listing Type:

Project

Description:

1.539 acre parcel in Lexington Park, MD zoned highintensity mixed use. About Lexington Park Lexington Park in St. Mary's County, Maryland offers coastal, country living in a high-tech world. With the most coastline of any county in Maryland and tobacco barns peppering the landscape, you can experience beautiful, bucolic landscapes and perfectly prepared raw oysters. Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year. That brings a substantial base of highly-skilled engineers, lawyers, and other business professionals, as well as advanced manufacturing trades. Economic Snapshot -Has the country's 5th highest concentration of high-tech workers - Ranked the 4th best place for tech jobs in the

Address:

46231 CORPORATE WAY, Lexington

Park, Maryland 20653

Jurisdiction:

St. Mary's

Contact Information:

Christine Brooks

christine@millisonmanagement.com

Click the symbol on map to get more specific information on this product



MARYLAND OPPORTUNITY ZONES



Link to <u>Information-Exchange</u>
Link to <u>DHCD Opportunity Zones</u>

Questions?